

Congress of the United States
joint economic committee
minority

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RANKING MEMBER

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Making Ends Meet: Living on \$3,300 a Month

Dear Colleague:

Last week I introduced you to David and Lisa and their 2 children. They are a fictional family, based on national averages from official government statistics. By learning more about how they cope with day-to-day economic challenges, we will gain a deeper understanding of how the majority of American families are faring in the current economy.

David and Lisa live in Bedford Falls with their kids, Austin (age 17) and Emily (age 15). David, who earns \$30,000 a year, fixes and services heating and A/C equipment. Lisa is an occupational therapy aid and earns \$24,000 a year. Their combined after-tax, monthly take-home pay is \$3,307.32.

David and Lisa's monthly expenditures are listed on the back. They live in a modest 3 bedroom house, which they purchased for \$75,500 in 1985. In 1993, when interest rates were low, David and Lisa refinanced their mortgage for a 7 year adjustable rate. When they went to refinance this past January, the Federal Reserve was in the midst of raising interest rates, and David and Lisa had to settle for a fixed rate of 7¾ percent for the next 15 years. This increased their monthly mortgage payments by \$185.49 a month, or \$2,225 a year.

The recent rise in gasoline prices has also taken its toll on David and Lisa's pocket book. On average, David and Lisa fill up their 2 cars twice a month. The increase in gas prices, from an average of \$1.32 a gallon last year to an average of \$2.13 a gallon currently, is costing them an additional \$58.32 a month, or close to \$700 a year.

After paying their other regular monthly expenses, David and Lisa have about \$600 a month to pay for car and house repairs, clothes and health care, and other major expenditures like property taxes, a modest vacation and Christmas presents. After accounting for these expenses, David and Lisa are left with about \$4.00 a month – not even enough to take the family out to dinner or go to a movie. Not much left for 2 hard working parents.

Sincerely,

Pete Stark, MC
Ranking Member

David and Lisa's Monthly Budget

After-Tax Combined Take-Home Pay	\$ 3,307.32
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Monthly Expenses

Mortgage	\$621.24
Car loan payment	\$383.00
Car insurance	\$104.17
Food – \$150 a week	\$600.00
Utilities – Electricity, telephone, cable, and water	\$254.00
Gas – 2 cars filled twice a month	\$153.36
Credit card payment (outstanding balance)	\$150.00
Housekeeping, laundry, etc.	\$50.75
Lunch money for Austin and Emily	\$160.00
Allowance for Austin and Emily	\$40.00
Subtotal -- Monthly Expenses	\$2,516.52
"College Fund" (\$150 a month)	\$150.00

<u>After Regular Monthly Expenditures</u> (equal to \$7,689.72 a year)	<u>\$640.81</u>
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Other Annual Expenses		Pro-rated monthly
Property taxes	\$1,132.00	\$94.33
Home maintenance	\$800.00	\$66.67
Car repairs	\$800.00	\$66.67
Clothes	\$2,000.00	\$166.67
Health care	\$1,164.00	\$97.00
Christmas gifts	\$750.00	\$62.50
Vacation	\$1,000.00	\$83.33
Total Other Expenses	\$7,646.00 a year	

On Average, Remaining After All Expenditures	\$3.64
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For more details about each of these items and how they were calculated, please see our new web site www.house.gov/jec_democrats/.